

By: Swanson

H.B. No. 91

A BILL TO BE ENTITLED

AN ACT

1  
2 relating to the abolition of ad valorem taxes and a study of  
3 alternative methods of taxation to replace revenue lost to  
4 political subdivisions as a result of the abolition of ad valorem  
5 taxes.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

7 SECTION 1. (a) The legislature finds that:

8 (1) the imposition of ad valorem taxes is an  
9 inherently inequitable means to generate revenue necessary to fund  
10 the provision of essential services to residents of this state;

11 (2) ad valorem taxes may increase annually without  
12 regard to the property owner's ability to pay;

13 (3) ad valorem taxes are perpetual and detrimental to  
14 private property rights as secured by the Texas Constitution;

15 (4) the use of ad valorem taxes as a means to finance  
16 the maintenance of public free schools has led directly to three  
17 decades of school finance litigation in which the Texas Supreme  
18 Court has referred to the system as "Byzantine" and has urged the  
19 legislature to "choose a new path" of revenue for public free  
20 schools;

21 (5) the use of ad valorem taxes by local governmental  
22 entities as a means to generate revenue to fund the provision of  
23 essential services places a disproportionate burden on those  
24 residents that own property to pay for services that are enjoyed by

1 all residents; and

2 (6) the legislature has an obligation to ensure that  
3 local governmental entities provide essential services in a manner  
4 that is fair and fiscally responsible, and should encourage the use  
5 of a more equitable source of revenue, such as the sales tax, to  
6 fund the provision of those services.

7 (b) It is the intent of the legislature to abolish ad  
8 valorem taxes and to create a more equitable means of funding the  
9 provision of essential services to residents of this state by local  
10 governmental entities and of meeting the state's constitutional  
11 duty to make suitable provision for the support and maintenance of  
12 an efficient system of public free schools.

13 SECTION 2. (a) The comptroller of public accounts shall  
14 conduct a comprehensive study of alternative methods of taxation to  
15 replace local tax revenue that will be lost when ad valorem taxes  
16 are abolished.

17 (b) For each alternative method of taxation considered by  
18 the comptroller, the comptroller shall:

19 (1) consider whether political subdivisions that  
20 currently impose ad valorem taxes would have the authority to  
21 impose the proposed alternative tax;

22 (2) determine the average tax rate for the proposed  
23 alternative tax imposed by each type of political subdivision that  
24 would be necessary to generate the same amount of tax revenue as the  
25 amount of tax revenue lost as a result of the abolition of ad  
26 valorem taxes;

27 (3) determine, if appropriate, the effect that

1 broadening the application of the proposed alternative tax at the  
2 local level would have on the tax rates identified under  
3 Subdivision (2) of this subsection;

4 (4) identify whether tax revenue generated by the  
5 proposed alternative tax would require redistribution to offset  
6 disparities in available local tax revenue as a result of the  
7 abolition of ad valorem taxes and, if so, evaluate the different  
8 mechanisms of redistribution available; and

9 (5) identify and examine any other issue that would  
10 need to be addressed to implement the abolition of ad valorem taxes.

11 (c) On request of the comptroller, a state agency or  
12 political subdivision shall provide information for and assistance  
13 in conducting the study under this section.

14 (d) Not later than December 1, 2018, the comptroller shall  
15 prepare and submit to the governor, lieutenant governor, speaker of  
16 the house of representatives, and members of the legislature a  
17 written report containing the results of the study and any  
18 recommendations for legislative or other action.

19 (e) This section expires September 1, 2019.

20 SECTION 3. (a) Title 1, Tax Code, is repealed.

21 (b) Notwithstanding any other law, this state or a political  
22 subdivision of this state may not impose an ad valorem tax. To the  
23 extent of a conflict, this section controls over a conflicting  
24 provision in a general or special law.

25 (c) The change in law made by this section does not affect  
26 tax liability accruing before the effective date of this section.  
27 That liability continues in effect as if this section had not been

1 enacted, and the former law is continued in effect for the  
2 collection of taxes due and for civil and criminal enforcement of  
3 the liability for those taxes.

4 (d) This section takes effect January 1, 2022.

5 SECTION 4. Except as otherwise provided by this Act, this  
6 Act takes effect December 1, 2017.